

**Fitchburg Gas and Electric Light Company
Other O&M Expenses - Lead Lag Study
Cost / Benefit Analysis**

| Line No. | Cost | Bids ⁽¹⁾ | | Source / Calculation |
|----------|---|---------------------|--------------|---|
| | | Bid 1 | Bid 2 | |
| 1 | Cost for Lead Lag Study | \$193,000 | \$60,000 | Vendor Bid |
| | Benefit | | | |
| 2 | Annual Gas Other O&M subject to W/C | \$5,652,899 | \$5,652,899 | Other O&M Expense per adjusted books - Gas |
| 3 | Annual Electric O&M subject to W/C | \$7,823,004 | \$7,823,004 | Other O&M Expense per adjusted books - Electric |
| 4 | Annual Other O&M subject to W/C | \$13,475,903 | \$13,475,903 | Line 2 + Line 3 |
| 5 | Days in year | 365 | 365 | Assumption |
| 6 | Other O&M Expense per Day | \$36,920 | \$36,920 | Line 4 / Line 5 |
| 7 | Rate of Return | 9.09% | 9.09% | Cost of Capital |
| 8 | Income Tax Rate | 38.29% | 38.29% | Income Tax Rate - Federal & State |
| 9 | Benefit per Day of Reduction from 45 days | \$5,438 | \$5,438 | Line 6 * Line 7 / (1-Line 8) |
| | Breakeven Analysis | | | |
| 10 | Days of Reduction Required for Breakeven (days) | 35.49 | 11.03 | Line 1 / Line 9 |
| 11 | Breakeven Point - Other O&M Expense Lag (days) | 9.51 | 33.97 | 45 - Line 10 |
| 12 | Gas Division Revenue Lag (days) | 68.9 | 68.9 | FG&E Purchase Gas Lead Lag Study |
| 13 | Electric Division Revenue Lag (days) | 58.2 | 58.2 | FG&E Purchase Electricity Lead Lag Study |
| 14 | FG&E Revenue Lag (G&E Wtd Average) (days) | 62.7 | 62.7 | (Line 12 * Line 2 + Line 13 * Line 3) / Line 4 |
| 15 | FG&E Other O&M Expense Lag for Breakeven (days) | 53.2 | 28.7 | Line 14 - Line 11 |
| 16 | Average Expense Lag from Sample (days) | 22.5 | 22.5 | Sample Average Expense Lag ⁽²⁾ |
| 17 | Standard Deviation of Estimate (days) | 9.62 | 9.62 | Standard Deviation of Sample ⁽²⁾ |
| 18 | Sample Size | 10 | 10 | Sample Size ⁽²⁾ |
| 19 | | | | 1-NORMDIST(Line 15, Line 16, Line 17, 1) |

(1) Bids include estimates for presenting direct and/or rebuttal testimony and for responding to data requests. These items were not included in the written bids submitted, but were obtained based on a follow-up discussion with bidders.

(2) Please see page 2 of 2 of this Attachment for the list of companies contained in the sample as well as the expense lags for those companies.

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Sample of Utilities' Other O&M Lead/Lag Results**

| Company | Average Expense Lag |
|------------------------------|--------------------------------|
| APS | 21.972 |
| Central Power & Light | 29.260 |
| Lone Star Gas | 20.477 |
| Oklahoma Gas & Electric | 12.751 |
| Peoples Natural Gas Co. | 15.613 |
| Southern Union Gas Co. | 30.773 |
| Texas-New Mexico Power Co. | 22.379 |
| Texas Utilities Electric Co. | 41.410 |
| UGI Utilities | 7.8770 |
| West Texas Utilities Co. | 22.590 |
| Average | 22.510 |
| Standard Deviation (Sample) | 9.617 |
| Sample size | 10 |